

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0628-01
Bill No.: HB 101
Subject: Taxation and Revenue - Sales and Use; Business and Commerce
Type: Original
Date: January 23, 2003

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
General Revenue	\$10,000,000	\$0	\$0
Total Estimated Net Effect on General Revenue Fund	\$10,000,000	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
Total Estimated Net Effect on Other State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 4 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Revenue (DOR)** state the proposed legislation permits refunds of incorrectly collected sales tax upon fulfillment of certain conditions. This will require additional documentation to be sent to DOR prior to refunding. If the claimant does not meet the requirements of this proposal, the request for refund will be denied.

DOR assumes the changes in the sales tax refunds will require programming changes to the refund mechanism in MITS because interest provisions are at the old rate (32.065) and not at the new rate for 2003 (32.068). The changes will require 692 hours of programming at a total cost of \$23,085. The State Data Center charges will be \$4,503.

In a similar prior proposal, DOR assumed this legislation could result in a decrease in sales tax refunds the first fiscal year of approximately \$10 million. DOR assumed there would be minimal programming changes that could be completed with existing resources. Therefore, **Oversight** will show the revenue impact for FY04 of \$10 million and zero for FY05 and FY06. Also, **Oversight** assumes DOR can complete any minor changes to the refund mechanism in MITS with existing resources.

ASSUMPTION (continued)

Officials from the **Office of Administration, Budget and Planning (BAP)** state this proposal deals with sales tax refunds. BAP defers to DOR's estimate of fiscal impact. This proposal would have no impact on BAP.

This legislation could increase Total State Revenues.

<u>FISCAL IMPACT - State Government</u>	FY 2004 (10 Mo.)	FY 2005	FY 2006
GENERAL REVENUE FUND			
<u>Revenue - General Revenue Fund</u>			
Reduction in sales tax refunds	<u>\$10,000,000</u>	<u>\$0</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>\$10,000,000</u>	<u>\$0</u>	<u>\$0</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2004 (10 Mo.)	FY 2005	FY 2006
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

This legislation will affect all businesses that collect sales tax.

DESCRIPTION

This proposal requires that any request for a refund of sales taxes by a person who collects and remits the tax will only be granted if the person demonstrates to the satisfaction of the Director of the Department of Revenue that the amount will be refunded or credited to the person who originally paid the sales tax. The restriction will not apply if the person seeking the refund

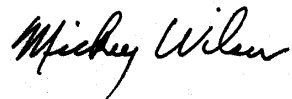
DESCRIPTION (continued)

shows to the director's satisfaction that he or she originally paid the tax and that it was not collected from purchasers. The bill also allows the person legally obligated to remit the tax to generally refund any amount of over-collected sales and use taxes in equal installments to the person's future customers by distribution of a fixed value coupon to the customers. The person legally obligated to remit the tax must submit a plan to DOR to qualify.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Revenue
Office of Administration
Budget and Planning



Mickey Wilson, CPA
Director
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